

**CITY OF ESTHERVILLE, IOWA  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015**

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## **CITY OF ESTHERVILLE**

### **OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kenny Billings	Mayor	January 2016
Larry W. Anderson	Mayor Pro Tem	January 2018
Mike Neiland	Council Member	January 2016
Roger Guge	Council Member	January 2016
Larry W. Anderson	Council Member	January 2018
Gene Haukoos	Council Member	January 2016
Dave Seylar	Council Member	January 2018
Ann Goebel	Council Member	January 2018
Julie Clark	Council Member	January 2018
Penny A. Clayton	City Administrator	Indefinite
Elizabeth Burton	City Clerk/Finance Director/Treasurer	January 2016
Julie Miller	Deputy City Clerk	January 2016
Pelzer Law Firm	Attorney	January 2016

## **Independent Auditors' Report**

To the Honorable Mayor and  
Members of the City Council  
City of Estherville, Iowa  
Estherville, Iowa

### **Report on Financial Statements**

We have audited the accompanying cash basis financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Estherville, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting. This includes determine that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and

the aggregate remaining fund information of the City of Estherville, Iowa, as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting.

### **Basis of Presentation**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the cash basis financial statements that collectively comprise the City of Estherville's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. We did not audit, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012, included on pages 32 and 33. The supplementary information on pages 29-33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, page 34, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4-9 and 27-28 has not been subjected to the auditing procedures applied in the audit of the basis financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2015 on our consideration of the City of Estherville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Estherville's internal control over financial reporting and compliance.

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
October 2, 2015

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## **CITY OF ESTHERVILLE MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Estherville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

The City's total receipts exceeded total disbursements by \$1,036,844 during fiscal year 2015. Receipts had exceeded disbursements by \$170,390 during fiscal year 2014.

The City's total disbursements decreased from \$15,102,023 in fiscal year 2014 to \$14,921,492 in fiscal year 2015. This is a decrease of \$180,531 or 2%. The primary reasons for the decrease in disbursements are a decrease in equipment replacement and street projects in 2014.

The City's total receipts increased from \$15,272,413 in fiscal year 2014 to \$15,958,336 in fiscal year 2015. This is an increase of \$685,923 or 5%. The primary reason for the increase in receipts is the sale of equipment and the receipt of grants for capital projects.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statements consist of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounts principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### ***Government-wide Financial Statements***

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position are divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business type activities include the water, wastewater, electric, and airport operation systems. These activities are financed primarily by user charges.

### ***Fund Financial Statement***

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing Funds, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.
- 2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds to provide separate information for the Water, Wastewater, Electric, and Airport Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$6.9 million to approximately \$7.4 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities			
		Year Ended June 30,	
		2015	2014
Receipts:			
Program receipts:			
Charges for service:	\$	877,929	\$ 881,304
Operating grants, contributions and restricted interest		730,967	727,560
Capital grants, contributions and restricted interest		324,552	15,675
General receipts			
Property tax		2,519,633	2,477,537
Local option sales tax		601,338	552,304
Hotel/motel tax		73,728	70,348
Unrestricted interest on investments		26,573	29,432
Miscellaneous		40,475	30,875
Sale of capital assets		7,751	28,859
Total receipts		5,202,946	4,813,894
Disbursements:			
Public safety		1,352,660	1,408,755
Public works		2,089,039	2,389,852
Health and social services		4,729	3,915
Culture and recreation		676,030	749,282
Community and economic development		691,367	254,928
General government		852,037	834,454
Debt service		477,526	480,765
Capital projects		48,248	31,702
Total disbursements		6,191,636	6,153,653
Change in cash basis net position before transfers		(988,690)	(1,339,759)
Transfers, net		1,448,461	1,443,317
Change in cash basis net position		459,771	103,558
Cash basis net position - beginning of year		6,916,313	6,812,755
Cash basis net position - end of year	\$	7,376,084	\$ 6,916,313

The City's total receipts for governmental activities increased 8.1%, or approximately \$390,000. The total cost of all programs and services before transfers increased approximately \$38,000, or 0.6%, with no new programs added this year. The increase in receipts and disbursements is the result of an additional street project on Park Road that was partially funded by a grant.

The cost of all governmental activities this year was approximately \$6.19 million compared to approximately \$6.15 million last year. However, as shown in the Statement of Activities and Net Position on pages 10-11, the amount taxpayers ultimately financed for these activities was approximately \$4.26 million because some of the cost was paid by those directly benefited from the programs (approximately \$878,000) or by other governments



and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$731,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$4.81 million to approximately \$5.20 million.

The City's cash balance for business type activities increased from a year ago, increasing from approximately \$6.1 million to approximately \$6.7 million. The analysis that follows focuses on the changes in cash basis net position of business type activities.

Changes in Cash Basis Net Position of Business Type Activities			
		Year Ended June 30,	
		2015	2014
Receipts:			
Program receipts:			
Charges for service:			
Water	\$	1,668,299	\$ 1,648,972
Wastewater		1,776,267	1,691,473
Electric		6,616,811	6,933,073
Airport		98,897	106,668
Operating grants, contributions and restricted interest:			
Airport		534,986	73,953
General receipts			
Unrestricted interest on investments		5,030	4,380
Other general receipts		55,100	-
Total receipts		10,755,390	10,458,519
Disbursements:			
Water		1,332,666	1,342,663
Wastewater		1,193,628	1,808,772
Electric		5,436,400	5,708,735
Airport		767,162	88,200
Total disbursements		8,729,856	8,948,370
Change in cash basis net position before transfers		2,025,534	1,510,149
Transfers, net		(1,448,461)	(1,443,317)
Change in cash basis net position		577,073	66,832
Cash basis net position - beginning of year		6,073,913	6,007,081
Cash basis net position - end of year	\$	6,650,986	\$ 6,073,913

Total business type activities receipts for the fiscal year were approximately \$10.76 million compared to approximately \$10.46 million last year. This increase was due primarily to an increase in usage. The cash balance increased approximately \$577,000 from the prior year. Total disbursements for the fiscal year decreased from \$8.95 million in the prior year to \$8.73 million.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

For the year ending June 30, 2015, governmental funds cash balances totaled \$6,783,833. This is an increase of \$350,151 from the June 30, 2014 balance of \$6,433,682.

- The total General Fund cash balance increased \$117,107 from the prior year to \$3,232,650 on June 30, 2015. On June 30, 2015, the General Fund consisted of eight balances. During the fiscal year the unassigned General Fund increased \$188,424 to \$1,230,189. The committed Parks & Recreation Revolving Fund increased \$70,448 to \$500,760, the committed Equipment Revolving Fund increased \$189,146 to \$1,035,328, the committed Library – Sanborn Fund increased \$166 to \$237,213, the committed Library – Pearson Fund decreased \$4,211 to \$15,487, the committed Police Miscellaneous Fund increased \$2,136 to \$16,441, the committed Housing Rehab Grant Fund remained unchanged at \$9,177 and the committed Economic Development Fund decreased \$329,002 to \$188,055.
- The Road Use Tax Fund cash balance increased during the fiscal year by \$59,242 to \$1,538,173 on June 30, 2015 due to a funding increase from the state gas tax mid-year.
- The Local Option Sales Tax Fund cash balance increased \$75,378 during the year to \$857,092 on June 30, 2015 with the intent of saving for a larger capital project.

### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

For the year ending June 30, 2015, business type funds cash balances totaled \$6,650,986. This is an increase of \$577,073 from the June 30, 2014 balance of \$6,073,913.

- The Water Fund cash balance increased \$74,268 to \$1,404,428 on June 30, 2015.
- The Wastewater Fund cash balance increased \$305,682 to \$1,547,897 on June 30, 2015 due to a decrease in capital projects, plant equipment repair and an increase in revenues.
- The Electric Fund cash balance increased \$330,378 to \$3,698,022 on June 30, 2015 due to a decrease in capital improvements.

### **BUDGETARY HIGHLIGHTS**

On May 18, 2015, an amendment to the fiscal year 2015 budget was approved to increase revenues by \$240,000 and increase expenses by \$1.5 million. The amendment authorized transfers, capital projects, and miscellaneous other expenses.

Total disbursements during the fiscal year did not exceed the authorized budget as amended.

### **DEBT ADMINISTRATION**

At June 30, 2014, the City had \$2,845,000 in general obligation bonds outstanding compared to \$3,205,000 the year before. The balance on a lease-purchase agreement for the purchase of a fire pumper truck decreased from \$120,855 on June 30, 2014 to \$92,518 on June 30, 2015. The total City debt decreased from \$3,325,855 on June 30, 2014 to \$2,937,518 on June 30, 2015.

Debt decreased as a result of making the regular payments on the obligations.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$2,845,000 is significantly below its constitutional debt limit. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The budget for fiscal year ending June 30, 2016, includes an increase in disbursements of approximately \$330,896 (2%). The primary reasons for the increased budget are increases in capital projects.

The property tax levy remains at \$16.50 per \$1,000 of taxable valuation. The budgeted fund balance for the General Fund decreases by approximately \$110,343.

The City is very fortunate the Local Option Sales Tax (LOST) referendum was approved in August 2008. The revenue generated by LOST supports General Fund activities and provides funds for community betterment projects.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Elizabeth Burton, City Clerk, 2 North 7<sup>th</sup> Street, Estherville, Iowa 51334 or telephone (712) 362-7771.

## **BASIC FINANCIAL STATEMENTS**

CITY OF ESTHERVILLE, IOWA  
STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Disbursements	Program Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Public Safety	\$ 1,352,660	\$ 13,537	\$ 53,546	\$ 61,634
Public Works	2,089,039	733,301	661,329	245,100
Health and Social Services	4,729	-	-	-
Culture and Recreation	676,030	26,597	16,092	17,818
Community and Economic Development	691,367	-	-	-
General Government	852,037	104,494	-	-
Debt Service	477,526	-	-	-
Capital Projects	48,248	-	-	-
<b>Total Governmental Activities</b>	<u>6,191,636</u>	<u>877,929</u>	<u>730,967</u>	<u>324,552</u>
<b>Business-Type Activities:</b>				
Water	1,332,666	1,668,299	-	-
Wastewater	1,193,628	1,749,267	27,000	-
Electric	5,436,400	6,616,811	-	-
Airport	767,162	98,897	534,986	-
<b>Total Business-Type Activities</b>	<u>8,729,856</u>	<u>10,133,274</u>	<u>561,986</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 14,921,492</u>	<u>\$ 11,011,203</u>	<u>\$ 1,292,953</u>	<u>\$ 324,552</u>

**General Receipts:**

Property and Other City Tax Levied for:  
  General Purposes  
  Debt Service  
Tax Increment Financing  
Local Option Sales Tax  
Hotel/Motel Tax  
Unrestricted interest on investments  
Miscellaneous  
Sale of Assets  
Transfers

**Total General Receipts and Transfers**

**Change in Cash Basis Net Position**

**Cash Basis Net Position at Beginning of Year**

**Cash Basis Net Position at End of Year**

**Cash Basis Net Position**

Restricted:

Nonexpendable:

Library Trust

Expendable:

Streets

Debt Service

Other Purposes

Unrestricted

**Total Cash Basis Net Position**

See Acoompanying Notes to Financial Statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business-Type Activities	Total

\$ (1,223,943)		\$ (1,223,943)
(449,309)		(449,309)
(4,729)		(4,729)
(615,523)		(615,523)
(691,367)		(691,367)
(747,543)		(747,543)
(477,526)		(477,526)
(48,248)		(48,248)
<u>(4,258,188)</u>		<u>(4,258,188)</u>

	\$ 335,633	335,633
	582,639	582,639
	1,180,411	1,180,411
	(133,279)	(133,279)
	<u>1,965,404</u>	<u>1,965,404</u>
<u>(4,258,188)</u>	<u>1,965,404</u>	<u>(2,292,784)</u>

2,391,880	-	2,391,880
39,710	-	39,710
88,043	-	88,043
601,338	-	601,338
73,728	-	73,728
26,573	5,030	31,603
40,475	55,100	95,575
7,751	-	7,751
<u>1,448,461</u>	<u>(1,448,461)</u>	<u>-</u>
<u>4,717,959</u>	<u>(1,388,331)</u>	<u>3,329,628</u>
459,771	577,073	1,036,844
<u>6,916,313</u>	<u>6,073,913</u>	<u>12,990,226</u>
<u>7,376,084</u>	<u>6,650,986</u>	<u>14,027,070</u>

57,574	-	57,574
1,538,173	-	1,538,173
116,500	-	116,500
1,838,936	-	1,838,936
3,824,901	6,650,986	10,475,887
<u>\$ 7,376,084</u>	<u>\$ 6,650,986</u>	<u>\$ 14,027,070</u>

See Accompanying Notes to Financial Statements

**CITY OF ESTHERVILLE, IOWA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES**  
**GOVERNMENTAL FUNDS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue				
	General	Road Use Tax	Local Option Sales Tax	Nonmajor	Total
<b>Receipts</b>					
Property Tax	\$ 1,205,124	\$ -	\$ -	\$ 1,119,619	\$ 2,324,743
Tax Increment Financing	-	-	-	88,043	88,043
Other City Tax	130,425	-	601,338	50,150	781,913
Licenses and Permits	74,589	-	-	-	74,589
Use of Money and Property	26,110	-	939	331	27,380
Intergovernmental	381,084	661,329	-	-	1,042,413
Charges for Services	741,419	-	-	-	741,419
Special Assessments	38,700	-	-	-	38,700
Miscellaneous	75,996	-	-	-	75,996
<b>Total Receipts</b>	<u>2,673,447</u>	<u>661,329</u>	<u>602,277</u>	<u>1,258,143</u>	<u>5,195,196</u>
<b>Disbursements</b>					
Operating:					
Public Safety	1,027,321	-	20,316	337,347	1,384,984
Public Works	1,329,217	602,087	168	188,877	2,120,349
Health and Social Services	4,729	-	-	-	4,729
Culture and Recreation	545,654	-	19,662	133,707	699,023
Community and Economic Development	337,960	-	279,960	73,447	691,367
General Government	710,698	-	-	164,333	875,031
Debt Service	-	-	-	477,526	477,526
Capital Projects	-	-	-	48,248	48,248
<b>Total Disbursements</b>	<u>3,955,579</u>	<u>602,087</u>	<u>320,106</u>	<u>1,423,485</u>	<u>6,301,257</u>
<b>Excess (Deficiency) of Receipts over (Under) Disbursements</b>	<u>(1,282,132)</u>	<u>59,242</u>	<u>282,171</u>	<u>(165,342)</u>	<u>(1,106,061)</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	4,751	-	3,000	-	7,751
Operating Transfers In	1,494,199	-	-	269,424	1,763,623
Operating Transfers (Out)	(99,711)	-	(209,793)	(5,658)	(315,162)
<b>Total Other Financing Sources (Uses)</b>	<u>1,399,239</u>	<u>-</u>	<u>(206,793)</u>	<u>263,766</u>	<u>1,456,212</u>
<b>Change in Cash Balances</b>	<u>117,107</u>	<u>59,242</u>	<u>75,378</u>	<u>98,424</u>	<u>350,151</u>
<b>Cash Balances at Beginning of Year</b>	<u>3,115,543</u>	<u>1,478,931</u>	<u>781,714</u>	<u>1,057,494</u>	<u>6,433,682</u>
<b>Cash Balances at End of Year</b>	<u>\$ 3,232,650</u>	<u>\$ 1,538,173</u>	<u>\$ 857,092</u>	<u>\$ 1,155,918</u>	<u>\$ 6,783,833</u>
<b>Cash Basis Fund Balance</b>					
Nonspendable - Library Trust	\$ -	\$ -	\$ -	\$ 57,574	\$ 57,574
Restricted for:					
Streets	-	1,538,173	-	-	1,538,173
Debt Service	-	-	-	116,500	116,500
Other Purposes	-	-	857,092	981,844	1,838,936
Committed for:					
Parks and Recreation	500,760	-	-	-	500,760
Equipment	1,035,328	-	-	-	1,035,328
Library	252,700	-	-	-	252,700
Police	16,441	-	-	-	16,441
Housing Rehab Grant	9,177	-	-	-	9,177
Economic Development	188,055	-	-	-	188,055
Unassigned	1,230,189	-	-	-	1,230,189
<b>Total Cash Basis Fund Balance</b>	<u>\$ 3,232,650</u>	<u>\$ 1,538,173</u>	<u>\$ 857,092</u>	<u>\$ 1,155,918</u>	<u>\$ 6,783,833</u>

See Accompanying Notes to Financial Statements

CITY OF ESTHERVILLE, IOWA  
RECONCILIATION OF THE STATEMENT OF CASH  
RECEIPTS , DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
TO THE STATEMENT OF ACTIVITIES AND NET POSITION -  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Cash Balance- Governmental Funds (Page 12)	\$ 6,783,833
The Garage Fund is used by management to account for costs associated with the City's use of vehicles. The assets of the Garage Fund are included in governmental activities in the Statement of Activities and Net Position.	51,317
The Self-Funded Insurance Fund is used by management to charge costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Self-Funded Insurance Fund are included in governmental activities in the Statement of Activities and Net Position.	540,934
Cash Basis Net Position of Governmental Activities (Page 11)	<u>\$ 7,376,084</u>

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Net Change in Governmental Funds Cash Balances (Page 12)	\$ 350,151
The Self-Funded Insurance Fund is used by management to charge costs of partial self funding of the City's health insurance benefit plan to individual funds. The change in net position of the Self-Funded Insurance Fund is included in governmental activities in the Statement of Activities and Net Position.	109,620
Change in Cash Basis Net Position of Governmental Activities (Page 11)	<u>\$ 459,771</u>



**CITY OF ESTHERVILLE, IOWA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**PROPRIETARY FUNDS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise					Internal
	Water	Wastewater	Electric	Nonmajor Airport	Total	Service Funds
<b>Operating Receipts:</b>						
Charges for Services	\$ 1,668,299	\$ 1,748,179	\$ 6,616,811	\$ 20,632	\$ 10,053,921	\$ 1,052,039
Intergovernmental	-	27,000	-	534,986	561,986	-
Miscellaneous	-	-	55,100	-	55,100	-
<b>Total Operating Receipts</b>	<u>1,668,299</u>	<u>1,775,179</u>	<u>6,671,911</u>	<u>555,618</u>	<u>10,671,007</u>	<u>1,052,039</u>
<b>Operating Disbursements:</b>						
Business Type Activities	1,332,666	1,193,628	5,436,400	767,162	8,729,856	943,582
<b>Total Operating Disbursements</b>	<u>1,332,666</u>	<u>1,193,628</u>	<u>5,436,400</u>	<u>767,162</u>	<u>8,729,856</u>	<u>943,582</u>
<b>Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements</b>	335,633	581,551	1,235,511	(211,544)	1,941,151	108,457
<b>Non-Operating Receipts:</b>						
Interest Income	811	370	3,825	24	5,030	1,163
Lease Income	-	1,088	-	78,265	79,353	-
<b>Total Non-Operating Receipts</b>	<u>811</u>	<u>1,458</u>	<u>3,825</u>	<u>78,289</u>	<u>84,383</u>	<u>1,163</u>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	336,444	583,009	1,239,336	(133,255)	2,025,534	109,620
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In	-	-	66,416	-	66,416	-
Operating Transfers (Out)	(262,176)	(277,327)	(975,374)	-	(1,514,877)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(262,176)</u>	<u>(277,327)</u>	<u>(908,958)</u>	<u>-</u>	<u>(1,448,461)</u>	<u>-</u>
<b>Net Change in Cash Balances</b>	74,268	305,682	330,378	(133,255)	577,073	109,620
<b>Cash Balances at Beginning of Year</b>	<u>1,330,160</u>	<u>1,242,215</u>	<u>3,367,644</u>	<u>133,894</u>	<u>6,073,913</u>	<u>482,630</u>
<b>Cash Balances at End of Year</b>	<u>\$ 1,404,428</u>	<u>\$ 1,547,897</u>	<u>\$ 3,698,022</u>	<u>\$ 639</u>	<u>\$ 6,650,986</u>	<u>\$ 592,250</u>

See Accompanying Notes to Financial Statements

**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Estherville is a political subdivision of the State of Iowa located in Emmet County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides electric, water and sewer utilities for its citizens.

**A.     Reporting Entity**

For financial reporting purposes, the City of Estherville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Estherville has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Emmet County Council of Governments, Emmet County E911 Service Board, Emmet County Assessor's Conference Board, and Northwest Iowa Planning and Development Commission.

**B.     Basis of Presentation**

Government-wide Financial Statements – The Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulation which require the cash balance to be maintained permanently by the City, including a portion of the City's Permanent Fund.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on cash balances imposed by management which can be removed or modified.

The Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for community betterment programs and projects. It can also be used for support of the police department, fire department, street department, library, parks, recreation, and senior citizen activities.

**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reports the following major enterprise funds:

The Water Fund accounts for the operation and maintenance of the City's water system and the accumulation of funds for expenditures for the City in case of a water emergency.

The Wastewater Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system and the accumulation of funds for expenditures for the City in case of a wastewater emergency. It also includes the Wastewater Digester capital project.

The Electric Fund accounts for the operation and maintenance of the City's electrical system and the accumulation of funds for expenditures for the City in case of an electrical emergency. It also accounts for Enterprise Equipment Revolving funds that are set aside for capital equipment expenditures.

The City also reports the following additional proprietary funds:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

The Garage Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

The Self-Funded Insurance Fund is utilized to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds.

**C. Measurement Focus and Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements which is an other comprehensive basis of accounting and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items as well as fixed assets. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through resolution, unless the City Council removes or changes the specified use by taking the same type of action used to commit the amounts.

Unassigned – All amounts not included in the preceding classifications.

**E. Budgeting and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

**Note 2 – CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2015, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 2 – CASH AND POOLED INVESTMENTS (Continued)**

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U.S. Treasury Note	<u>\$32,990</u>	<u>\$33,042</u>	September 2016
U.S. Treasury Note	<u>\$13,992</u>	<u>\$13,997</u>	January 2017
U.S. Treasury Note	<u>\$9,926</u>	<u>\$9,979</u>	December 2017

Interest Rate Risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**Note 3 – BONDS AND LEASES PAYABLE**

The following is a summary of bond and lease transactions of the City for the year ended June 30, 2015:

<u>Primary Government</u>	<u>Governmental Activities Bonds and Lease Payable by Debt Service Fund</u>
Bonds and Leases Payable July 1, 2014	\$ 3,325,855
Less: Payments	(388,337)
Bonds and Leases Payable June 30, 2015	<u>2,937,518</u>
Due Within One Year	<u>\$ 399,553</u>

**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 3 – BONDS AND LEASES PAYABLE (Continued)**

The City of Estherville had the following outstanding bonds and leases as of June 30, 2015:

Bond/Lease	Date of Issue	Interest Rate	Final Due Date	Annual Principal Payments	Amount Originally Issued	Outstanding June 30, 2015	Due Within One Year
General Obligation-Series 2010	6/1/2010	1.00-4.15%	2025	\$135,000 - \$200,000	\$ 2,350,000	\$ 1,690,000	\$ 140,000
General Obligation-Series 2011	12/22/2011	0.45-1.45%	2017	\$120,000	705,000	240,000	120,000
General Obligation-Series 2013	3/1/2013	0.40-1.90%	2023	\$105,000 - \$120,000	1,125,000	915,000	110,000
Pumper Truck Lease	12/21/2007	4.29%	2018	\$28,000 - \$33,000	268,000	92,518	29,553
Total Bonds/Lease Due					\$ 4,448,000	\$ 2,937,518	\$ 399,553

Annual debt service requirements to maturity of General Obligation Bonds and Leases are as follows:

Interest Rate Year Ended June 30	2010 G.O. Water & Wastewater Bonds 1.00% - 4.15%		2011 G.O. Refunding Bonds 0.45% 1.45%		2013 G.O. Sanitary Sewer Bonds 0.40% - 1.90%		2007 Pumper Truck Lease 4.29%		Total Governmental	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$140,000	\$61,642	\$120,000	\$3,180	\$110,000	\$11,850	\$29,553	\$3,971	\$399,553	\$80,643
2017	145,000	57,933	120,000	1,740	110,000	11,190	30,821	2,702	405,821	73,565
2018	155,000	53,583			110,000	10,310	32,144	1,380	297,144	65,273
2019	160,000	48,623			115,000	9,210			275,000	57,833
2020	165,000	43,182			115,000	7,830			280,000	51,012
2021-2025	925,000	115,997			355,000	12,880			1,280,000	128,877
Total	\$1,690,000	\$380,960	\$240,000	\$4,920	\$915,000	\$63,270	\$92,518	\$8,053	\$2,937,518	\$457,203

The amount of interest paid on the bonds and lease during the year ending June 30, 2015 was \$86,689.

**Note 4 – PENSION PLAN – IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 4 – PENSION PLAN – IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)**  
**(Continued)**

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.



**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 4 – PENSION PLAN – IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)**  
**(Continued)**

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$195,197.

**Note 5 – PENSION PLAN – MUNICIPAL FIRE AND POLICE RETIREMENT SYSTED OF IOWA**  
**(MFPRSI)**

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of Sample GAAP City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org).

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50 percent surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 5 – PENSION PLAN – MUNICIPAL FIRE AND POLICE RETIREMENT SYSTED OF IOWA (MFPRSI) (Continued)**

Disability and Death Benefits - Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50 percent of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25 percent of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$187,469.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67). There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 6 – CONTRACT RECEIVABLE**

The City has provided the funding for Tax Increment Financing (TIF) projects. The City will be repaid through the collection of real estate taxes which are generated by the projects funded. Outstanding receivables for TIF projects at June 30, 2015 are as follows:

<u>Project</u>	<u>Balance</u>	<u>Interest Rate/Security</u>
Iowa Lakes Electric Cooperative	\$ 43,184	6.00/Unsecured
WWTP Improvements	\$ 149,000	6.00/Unsecured
Industrial Park	\$ 36,194	5.00/Unsecured

**Note 7 – SELF-FUNDED INSURANCE**

*Plan Description.* The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits and dental insurance for retirees and their spouses. Police officers do not participate in the dental plan. There are 49 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-funded insurance plan. Wellmark is the third party administrator for the plan. National Pharmaceutical Services is the third party benefit manager for the prescription drug portion of the program. The City is responsible for the first \$25,000 of claims after the deductible has been paid for each member covered under the plan. Specific stop loss reinsurance provides coverage after \$25,000 of claims has been paid. The City also has an aggregate stop loss, above a certain total of claims paid.

Dental benefits are provided through a fully-insured plan with Delta Dental. Retirees under age 65 pay the same premium for the medical/prescription drug benefits and dental benefits as active employees.

*Funding Policy.* The contribution requirements of plan members are contained in the collective bargaining agreements. The City currently finances the retiree benefit on a pay-as-you-go basis. Retirees and their spouse pay the entire premium if they choose to continue under the City's plan. The City offers two medical/prescription plans. The most recent active member monthly premiums for the City and plan members are \$623 for single coverage and \$1,339 for family coverage and the alternate plan is \$696 for single coverage and \$1,739 for family coverage. The same monthly premiums apply to retirees.

For the year ended June 30, 2015, the City contributed \$566,850 and plan members eligible for benefits contributed \$183,946 to the plan.

The dental premiums for fiscal year 2015 were \$20 per month for single coverage and \$55 per month for family coverage. For the year ended June 30, 2015, the City contributed \$18,205 and plan members eligible for benefits contributed \$4,551.

**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 8 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 9 – CONSTRUCTION COMMITMENTS**

The City has entered into contracts totaling \$825,365 for the airport apron project engineering. As of June 30, 2015, costs of \$791,512 on the project have been paid. The remaining balance of \$33,853 will be paid as work on the project progresses.

The City has entered into a contract totaling \$329,642 for the airport Jet A fuel project. As of June 30, 2015, costs of \$23,643 on the project have been paid. The remaining balance of \$305,999 will be paid as work on the project progresses.

**Note 10 – OPERATING LEASE**

The City of Estherville entered into an operating lease agreement on February 4, 2013, with Estherville Housing, Inc. to lease office space. The city's total rent expense for the year ending June 30, 2015 was \$17,200. Rental adjustments in the amount of \$600 will occur annually and continue through June 30, 2018. After June 30, 2018, the lease amount may be renewed upon the same terms and conditions or upon any such other terms as mutually agreed upon. The lease may be terminated by either party at any time upon three years written notice to the other party by registered mail or in person.

**Future Minimum Rental Payments**

<b><u>Year Ending</u></b>	<b><u>Amount</u></b>
<b><u>June 30,</u></b>	
2016	\$ 17,800
2017	\$ 18,400
2018	\$ 19,000

**Note 11 – JOINT VENTURE**

On November 4, 1997, the City entered into a joint venture agreement pursuant to the provisions of Chapter 390 of the Code of Iowa with the Municipal Electric Utility of the City of Cedar Falls, Algona Municipal Utilities, the City of Ellsworth, Westfield Municipal Utilities, Montezuma Light and Power, and the City of Fonda.

This joint venture agreement is a collaborative effort of the parties above, the U.S. Department of Energy ("DOE"), and the Electric Power Research Institute ("EPRI") to develop, construct and operate a wind-powered electric generation facility (Iowa Distributed Wind Generation Project – "IDWGP"). The project is partially funded by a grant from EPRI consisting of 47.42% of construction and operating expenses for 1999 and 2000 funded by EPRI.

**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11 – JOINT VENTURE (Continued)**

The City of Estherville owns an 8% interest in the project. The energy produced by the IDWGP will be apportioned among the parties based on their percentages of ownership. Currently, Algona Municipal Utilities is purchasing the generated power at their avoided cost which has been determined to be \$.014282/KWH, effective January of 2013. It has not been determined how long this arrangement will continue. The City receives 8% of the income and pays 8% of the expenses generated by IDWGP. Generally, expenses exceed income.

**Note 12 – GENERAL FUND – COMMITTED BALANCES**

The City had committed part of the balance of the general fund for specific future uses. The balance which has been committed as Parks and Recreation Revolving is for funding future parks and recreation projects. The Equipment Revolving balance is for future purchases of equipment needed for the general fund. The Library – Pearson and Library – Sanborn are for library disbursements. The Forfeiture is for deterring criminal activity by police education. The Housing Rehab Grant balance is to be used for future residential housing rehabilitation projects. Economic development is for development projects such as subdivisions and grants for improvement projects.

<u>Committed Balances at June 30, 2015</u>	<u>Amount</u>
Parks and Recreation Revolving	\$ 500,760
Equipment Revolving	1,035,328
Library – Pearson	15,488
Library – Sanborn	237,212
Forfeiture	16,441
Housing Rehab Grant	9,177
Economic Development	<u>188,055</u>
Total Committed Balances	<u>\$2,002,461</u>

**Note 13 – INTERFUND TRANSFERS**

The City had numerous interfund transfers during the year ended June 30, 2015. The transfers generally move resources from funds with available resources to those funds with disbursements that need to be paid.

<u>Transfers In</u>				
<u>Transfers Out</u>	<u>Nonmajor</u>			
	<u>General</u>	<u>Governmental</u>	<u>Electric</u>	<u>Total</u>
<b>General</b>	\$ -	\$ 99,711	\$ -	\$ 99,711
<b>LOST</b>	176,269	33,524	-	209,793
<b>Nonmajor Governmental</b>	-	-	5,658	5,658
<b>Water</b>	247,870	-	14,306	262,176
<b>Wastewater</b>	112,000	118,875	46,452	277,327
<b>Electric</b>	958,060	17,314	-	975,374
<b>Total</b>	<u>\$1,494,199</u>	<u>\$ 269,424</u>	<u>\$ 66,416</u>	<u>\$1,830,039</u>

## **OTHER INFORMATION**

**CITY OF ESTHERVILLE, IOWA**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES**  
**BUDGET AND ACTUAL (CASH BASIS)**  
**ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
**OTHER INFORMATION**  
**YEAR ENDED JUNE 30, 2015**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budget		Final to Actual Variance
				Original	Final	
<b>Receipts</b>						
Property Tax	\$ 2,324,743	\$ -	\$ 2,324,743	\$ 2,362,421	\$ 2,362,421	\$ (37,678)
Tax Increment Financing	88,043	-	88,043	86,690	86,690	1,353
Other City Tax	781,913	-	781,913	609,492	609,492	172,421
Licenses and Permits	74,589	-	74,589	76,800	76,800	(2,211)
Use of Money and Property	27,380	85,546	112,926	43,891	43,891	69,035
Intergovernmental	1,042,413	561,986	1,604,399	2,091,232	2,226,232	(621,833)
Charges for Services	741,419	11,105,960	11,847,379	11,838,519	11,838,519	8,860
Special Assessments	38,700	-	38,700	50,000	50,000	(11,300)
Miscellaneous	75,996	55,100	131,096	72,500	104,950	26,146
Total Receipts	<u>5,195,196</u>	<u>11,808,592</u>	<u>17,003,788</u>	<u>17,231,545</u>	<u>17,398,995</u>	<u>(395,207)</u>
<b>Disbursements</b>						
Public Safety	1,384,984	-	1,384,984	\$ 1,473,972	\$ 1,548,972	163,988
Public Works	2,120,349	-	2,120,349	2,365,704	2,391,354	271,005
Health and Social Services	4,729	-	4,729	4,700	9,700	4,971
Culture and Recreation	699,023	-	699,023	819,863	834,363	135,340
Community and Economic Development	691,367	-	691,367	841,000	1,099,000	407,633
General Government	875,031	-	875,031	921,160	962,160	87,129
Debt Service	477,526	-	477,526	478,527	478,527	1,001
Capital Projects	48,248	-	48,248	225,000	250,000	201,752
Business Type Activities	-	9,673,438	9,673,438	10,368,354	11,301,354	1,627,916
Total Disbursements	<u>6,301,257</u>	<u>9,673,438</u>	<u>15,974,695</u>	<u>17,498,280</u>	<u>18,875,430</u>	<u>2,900,735</u>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	(1,106,061)	2,135,154	1,029,093	(266,735)	(1,476,435)	2,505,528
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Fixed Assets	7,751	-	7,751	-	-	7,751
Operating Transfers From Other Funds	1,763,623	66,416	1,830,039	2,685,579	2,758,579	(928,540)
Operating Transfers to Other Funds	(315,162)	(1,514,877)	(1,830,039)	(2,685,579)	(2,758,579)	928,540
Total Other Financing Sources (Uses)	<u>1,456,212</u>	<u>(1,448,461)</u>	<u>7,751</u>	<u>-</u>	<u>-</u>	<u>7,751</u>
<b>Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	350,151	686,693	1,036,844	(266,735)	(1,476,435)	2,513,279
<b>Balances at Beginning of Year</b>	<u>6,433,682</u>	<u>6,556,543</u>	<u>12,990,225</u>	<u>10,929,661</u>	<u>10,929,661</u>	<u>-</u>
<b>Balances at End of Year</b>	<u>\$ 6,783,833</u>	<u>\$ 7,243,236</u>	<u>\$ 14,027,069</u>	<u>\$ 10,662,926</u>	<u>\$ 9,453,226</u>	<u>\$ 2,513,279</u>

**CITY OF ESTHERVILLE, IOWA**  
**NOTES TO OTHER INFORMATION – BUDGETARY REPORTING**  
**YEAR ENDED JUNE 30, 2015**

This budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated functional level, not by fund. During the year, there was a budget amendment to increase budgeted revenues by \$167,450 and budgeted disbursements by \$1,377,150. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.



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## **SUPPLEMENTARY INFORMATION**

CITY OF ESTHERVILLE, IOWA  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Debt Service		Special Revenue				
	Debt Service	Group Insurance	Police Retirement	Employee Benefits	Emergency Levy	Industrial Park TIF	Oakridge TIF
<b>Receipts</b>							
Property Tax	\$ 253,814	\$ 460,976	\$ 180,402	\$ 186,420	\$ 38,007	\$ -	\$ -
Tax Increment Financing	-	-	-	-	-	268	68,097
Other City Tax	11,348	13,869	11,590	11,640	1,703	-	-
Use of Money and Property	164	-	-	-	-	-	-
<b>Total Receipts</b>	<u>265,326</u>	<u>474,845</u>	<u>191,992</u>	<u>198,060</u>	<u>39,710</u>	<u>268</u>	<u>68,097</u>
<b>Disbursements</b>							
Operating:							
Public Safety	-	141,479	187,469	8,399	-	-	-
Public Works	-	125,597	-	63,280	-	-	-
Culture and Recreation	-	92,235	-	41,472	-	-	-
Community and Economic Development	-	-	-	-	-	35,271	-
General Government	-	92,240	-	72,093	-	-	-
Debt Service	477,526	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-
<b>Total Disbursements</b>	<u>477,526</u>	<u>451,551</u>	<u>187,469</u>	<u>185,244</u>	<u>-</u>	<u>35,271</u>	<u>-</u>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	(212,200)	23,294	4,523	12,816	39,710	(35,003)	68,097
<b>Other Financing Sources (Uses)</b>							
Operating Transfers In	214,839	-	-	-	-	35,003	-
Operating Transfers Out	-	-	-	-	-	-	(68,097)
<b>Total Other Financing Sources (Uses)</b>	<u>214,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,003</u>	<u>(68,097)</u>
<b>Net Change in Cash Balances</b>	2,639	23,294	4,523	12,816	39,710	-	-
<b>Cash Balances at Beginning of Year</b>	<u>113,861</u>	<u>587,825</u>	<u>105,281</u>	<u>155,236</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Balances (Deficits) at End of Year</b>	<u>\$ 116,500</u>	<u>\$ 611,119</u>	<u>\$ 109,804</u>	<u>\$ 168,052</u>	<u>\$ 39,710</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Nonspendable - Library Trust</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Debt Service	116,500	-	-	-	-	-	-
Other Purposes	-	611,119	109,804	168,052	39,710	-	-
<b>Total Cash Basis Fund Balance</b>	<u>\$ 116,500</u>	<u>\$ 611,119</u>	<u>\$ 109,804</u>	<u>\$ 168,052</u>	<u>\$ 39,710</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue		Capital Projects		Permanent	
Morrell TIF	Hy-Vee TIF	Parks & Recreation Construction	Library Trust		Total
\$ -	\$ -	\$ -	\$ -		\$ 1,119,619
19,678	-	-	-		88,043
-	-	-	-		50,150
-	-	-	167		331
19,678	-	-	167		1,258,143
-	-	-	-		337,347
-	-	-	-		188,877
-	-	-	-		133,707
36,991	1,185	-	-		73,447
-	-	-	-		164,333
-	-	-	-		477,526
-	-	48,248	-		48,248
36,991	1,185	48,248	-		1,423,485
(17,313)	(1,185)	(48,248)	167		(165,342)
17,313	-	64,708	-		331,863
-	-	-	-		(68,097)
17,313	-	64,708	-		263,766
-	(1,185)	16,460	167		98,424
-	1,185	(16,460)	110,566		1,057,494
\$ -	\$ -	\$ -	\$ 110,733		\$ 1,155,918
\$ -	\$ -	\$ -	\$ 57,574		\$ 57,574
-	-	-	-		116,500
-	-	-	53,159		981,844
\$ -	\$ -	\$ -	\$ 110,733		\$ 1,155,918

CITY OF ESTHERVILLE, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
INTERNAL SERVICE FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Garage Fund	Self-funded Insurance Fund	Total
<b>Operating Receipts:</b>			
Charges for Services	\$ 301,243	\$ 750,796	\$ 1,052,039
<b>Total Receipts</b>	<u>301,243</u>	<u>750,796</u>	<u>1,052,039</u>
<b>Operating Disbursements:</b>			
Salaries and Wages	54,988	-	54,988
Employee Benefits	27,854	-	27,854
Repairs, Maintenance, and Utilities	82,571	-	82,571
Contractual Services	-	54,663	54,663
Supplies	128,803	650	129,453
Claims Expense and Insurance Premiums	-	587,026	587,026
Capital Outlay	7,027	-	7,027
<b>Total Disbursements</b>	<u>301,243</u>	<u>642,339</u>	<u>943,582</u>
<b>Excess of Operating Receipts over Operating Disbursements</b>	-	108,457	108,457
<b>Non-Operating Receipts:</b>			
Interest Income	-	1,164	1,164
<b>Total Non-Operating Receipts</b>	<u>-</u>	<u>1,164</u>	<u>1,164</u>
<b>Net Change in Cash Balances</b>	-	109,621	109,621
<b>Cash Balances at Beginning of Year</b>	<u>51,317</u>	<u>431,313</u>	<u>482,630</u>
<b>Cash Balances at End of Year</b>	<u>\$ 51,317</u>	<u>\$ 540,934</u>	<u>\$ 592,251</u>

See Accompanying Independent Auditors' Report

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CITY OF ESTHERVILLE, IOWA  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	2015	2014	2013	2012	2011
<b>Receipts</b>					
Property Tax	\$ 2,324,743	\$ 2,363,132	\$ 2,277,243	\$ 2,232,308	\$ 2,202,283
Tax Increment Financing	88,043	94,026	130,252	121,024	142,914
Other City Tax	781,913	643,031	648,423	615,569	645,934
Licenses and Permits	74,589	75,068	77,561	78,322	79,104
Use of Money and Property	27,380	30,163	32,232	29,797	43,260
Intergovernmental	1,042,413	733,327	688,394	801,511	879,999
Charges for Service	741,419	739,594	708,096	714,680	697,076
Special Assessments	38,700	54,457	69,213	54,245	79,612
Miscellaneous	75,996	52,237	71,837	187,426	109,537
<b>Total</b>	<b>\$ 5,195,196</b>	<b>\$ 4,785,035</b>	<b>\$ 4,703,251</b>	<b>\$ 4,834,882</b>	<b>\$ 4,879,719</b>
<b>Disbursements</b>					
<b>Operating</b>					
Public Safety	\$ 1,384,984	\$ 1,421,774	\$ 1,420,507	\$ 1,323,160	\$ 1,268,132
Public Works	2,120,349	2,400,459	2,174,852	1,829,655	2,082,442
Health and Social Services	4,729	3,915	3,915	3,915	4,223
Culture and Recreation	699,023	757,351	721,276	739,509	678,704
Community and Economic Development	691,367	254,928	232,018	330,388	376,493
General Government	875,031	841,683	865,987	891,957	838,737
Debt Service	477,526	480,765	355,421	1,197,785	478,909
Capital Projects	48,248	31,702	29,640	109,173	1,171,869
<b>Total</b>	<b>\$ 6,301,257</b>	<b>\$ 6,192,577</b>	<b>\$ 5,803,616</b>	<b>\$ 6,425,542</b>	<b>\$ 6,899,509</b>

See Accompanying Independent Auditors' Report.

	2010		2009		2008		2007		2006
\$	2,012,054	\$	1,874,028	\$	1,841,129	\$	1,847,308	\$	1,798,834
	164,369		353,698		206,847		279,748		320,731
	511,508		248,999		108,342		97,023		64,722
	82,977		78,378		80,157		72,341		70,507
	94,722		157,040		242,809		300,481		226,331
	1,371,750		735,551		691,222		651,060		719,839
	679,051		689,896		608,147		566,992		559,609
	20,049		57,244		11,366		16,708		26,083
	48,384		52,081		105,863		40,918		120,661
\$	4,984,864	\$	4,246,915	\$	3,895,882	\$	3,872,579	\$	3,907,317

\$	1,315,489	\$	1,088,479	\$	1,454,875	\$	1,066,190	\$	1,136,265
	1,643,183		2,570,899		1,473,098		1,606,151		1,177,067
	5,237		5,297		4,923		5,727		3,807
	660,497		648,557		600,593		729,999		598,914
	334,115		254,250		195,775		190,272		288,216
	883,670		853,777		803,714		836,076		820,453
	272,851		269,456		237,058		242,925		343,096
	1,994,359		24,430		78,194		29,749		471,702
\$	7,109,401	\$	5,715,145	\$	4,848,230	\$	4,707,089	\$	4,839,520

See Accompanying Independent Auditors' Report.



**CITY OF ESTHERVILLE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2015**

Grantor/Program	CFDA Number	Grant or Award Number	Program Expenditures
<b>DIRECT:</b>			
U.S. Department of Transportation:			
Direct Through Federal Aviation Administration:			
Airport Improvement Grant - Rehabilitate Apron	20.106	3-19-0032-009-2013	\$ 618,991
Airport Improvement Grant - Jet A Fuel Facility	20.106	3-19-0032-010-2015	21,278
Total Direct Expenditures			<u>640,269</u>
<b>INDIRECT:</b>			
Federal Emergency Management Agency:			
Indirect Through Iowa Homeland Security and Emergency Management Division:			
FEMA Public Assistance	97.036	DR4184	54,141
Total Indirect Expenditures			<u>54,141</u>
TOTAL			<u>\$ 694,410</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Estherville and is presented on the cash basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.



**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council  
City of Estherville  
Estherville, IA

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Estherville, Iowa as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 2, 2015. The financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Estherville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Estherville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Estherville's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider the deficiency in internal control described in Part II of the accompanying schedule of findings and questioned costs as item 2015-002 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Estherville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Estherville's Response to Findings**

The City of Estherville's response to the findings identified in our audit is described in the accompanying schedule of findings. The City's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Estherville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
October 2, 2015

**Independent Auditors' Report on Compliance for Each  
Major Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

To the Honorable Mayor and  
Members of the City Council  
City of Estherville  
Estherville, IA

**Report on Compliance for Each Major Federal Program**

We have audited the City of Estherville's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Estherville, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report in Internal Control Over Compliance

Management of the City of Estherville, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Williams + Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
October 2, 2015

**CITY OF ESTHERVILLE, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS**

- (A) An unmodified opinion was issued on the financial statements.
- (B) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance which is material to the financial statements.
- (D) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (E) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (F) The audit did disclose an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (G) Major programs were as follows:
  - CFDA Number 20.106 – Federal Aviation Administration Grant
- (H) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (I) The City of Estherville did not qualify as a low-risk auditee.

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**INSTANCES OF NON-COMPLIANCE:** No matters were reported.

**MATERIAL WEAKNESS:**

**2015-001 Segregation of Duties**

Criteria– The City is responsible for the establishment of adequate segregation of duties to help prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the City’s financial statements.

Condition– The City has a small staff and accordingly has not been able to achieve full segregation of duties over all accounting transactions. Employees who handle cash receipts are also involved with the preparation of bank reconciliations and the posting of payments.

Effect – As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period. Internal controls that are in place could be averted, overridden, or not consistently implemented.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the City should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

**CITY OF ESTHERVILLE, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)**

Response – The City feels that additional personnel would not be cost effective. However, management will review procedures and investigate available alternatives.

Conclusion – Response accepted.

**SIGNIFICANT DEFICIENCY:**

**2015-002 Financial Reporting**

Criteria– The City is responsible for the accuracy of the financial statements.

Condition– During our audit, we identified an immaterial amount of revenues recorded as a result of a cash account deposit that should have been an adjustment to the fund balance.

Effect – As a result of this misstatement, there was a potential for the financial statements to be materially misstated.

Recommendation – The City should implement procedures to ensure accurate reporting of the financial statements.

Response – The City will review these in the future to avoid incorrectly recording revenues.

Conclusion – Response accepted.

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

15-III-A: Certified Budget – Disbursements for the year ended June 30, 2015 did not exceed the certified budget amounts.

15-III-B: Questionable Disbursements – No disbursements did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

15-III-C: Travel Expense – No expenditures of the City of Estherville were for travel expenses of spouses of City officials or employees.

**CITY OF ESTHERVILLE, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2015**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**  
**(CONTINUED)**

- 15-III-D: Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ann Goebel, Council Member, Owner of Riverside Hills Boarding	Boarding Dogs	\$ 445
Dale Bradley, Employee at Power Plant, Owner Bradley Performance	Miscellaneous Repairs and Supplies	\$1,845

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the City Council Member do not appear to represent conflicts of interest since total disbursements were less than \$1,000 during the fiscal year. The transactions with the employee at the power plant may represent a conflict of interest and the City should contact legal council for determination.

- 15-III-E: Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- 15-III-F: Council Minutes – No transactions were found that we believe should have been approved by the Council minutes but were not.
- 15-III-G: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- 15-III-H Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management before December 1 and no exceptions were noted.